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## Boundaries and Organizations in Asia: An Introduction

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# Boundaries and Organizations in Asia: An Introduction

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In Paulsen and Hernes' seminal work titled 'Managing Boundaries in Organizations' – an edited volume published in 2003 – the concept of organizational boundaries is comprehensively and critically assessed for the first time in organization literature. Triggered by the paradox that organizational boundaries are conceptualized in mainstream organizational theory as given, fixed and unambiguous while, at the same time, these boundaries are claimed to diminish and dissolve as a consequence of processes of globalization, Paulsen and Hernes conclude that:

Far from becoming 'boundaryless' organizations may be conceptualized as operating within and between boundaries at many levels of organization. Rather than decreasing in number, boundaries proliferate. Rather than becoming simplified, they become more complex. . . . What becomes crucial for analysis are the multiple ways in which boundaries are conceptualized and construed in particular contexts, and whether explanations that utilize boundary constructs are useful for describing social and organizational dynamics (2003: p. 303).

In organization studies, the concept of boundary 'serves as a useful metaphor for understanding organizational dynamics in a range of organizational contexts . . .' (2003: p. 303). As an analytical tool, boundaries can provide a profound understanding of the process of negotiating the limits between the organization and its environment. This process is one of inclusion and exclusion, of conflict and consensus. An organization may be defined as all action and interaction that takes place inside such negotiated and constantly debated boundaries. However, boundary making is not only a process that focuses on the outer limits between an organization and its environment. It is also an ongoing process within organizations where diverging interests may be structured around differences of status, class, gender, and ethnic and cultural background, establishing organizations as intrinsically diverse. As boundaries within and outside organizations are constantly created and recreated, drawn and redrawn, constructed and reconstructed, negotiated and renegotiated, crossed, contested, discussed, and transcended in organizational life, we agree with

Paulsen and Hernes that the concept of boundaries is indispensable as an analytical tool in organizational studies. Answering their call to endeavour reinvestigating the making and remaking of boundaries, this introduction explores the ways in which the concept of boundaries can be taken further to contribute to organizational theory. This introduction is completed with an overview of how the concept of boundaries informs the contributions to this volume.

### From Bounded 'Community' to Borderless Network

In mainstream organization theory, boundaries have commonly been drawn analytically from an 'etic' point of view (that is, by the analyst or researcher, based on 'objective' criteria) to describe where an organization ends and where its environment starts. This approach is based on an image of organization-as-community – bringing together people with a common aim and shared beliefs in narrowly circumscribed spaces with clear boundaries – which informed a series of theoretical perspectives until the present day, including structural functionalism, contingency theory and market-based theories (Reed, 1999: pp. 31–32). For a long time, organization studies were characterized by an orthodox approach underwriting notions of the unitary and orderly nature of organizations, consensus and coherence rather than conflict and dissent (Clegg & Hardy, 1999: p. 1). It was not until the mid-1970s that the writings of Max Weber on bureaucratization and of Foucault on disciplinary regimes took root in the analysis of organizations. Triggered by Weick's *The Social Psychology of Organizing* (1969), Silverman's *Theory of Organizations* (1971), Burrell & Morgan's *Sociological Paradigms and Organizational Analysis* (1979) new paradigms of organizational analysis emerged depicting organizations in terms of arenas and battlegrounds instead of communities (such as in Lukes' [1974] analysis of the 'multiple faces of power' and Clegg's [1975, 1979] investigations into processes of power in organizations). This fragmentation perspective was fuelled by the understanding that organizations instead of being defined as well-circumscribed entities have come to be replaced by chains, clusters, networks and strategic alliances questioning the significance of an organizational focus. The clear boundaries that formerly circumscribed the organization became blurred. Clegg & Hardy (1999: p. 10) define these phenomena in terms of postmodern 'networked' forms of organizations which distinguish themselves from the bureaucratic organization in that they become decentralized, internally differentiated, fluid and unstable. Therefore, these 'networked' organizations may be appropriately defined in terms of configurations of people with partly converging and partly conflicting, but continually changing interests.

The persistent dominance of an integration perspective in organizational science and the consequential definition of organizational boundaries as fixed and stable are symptomatic of the intertwining of scholarly analysis and managerial agendas. The latter are filled with concerns about growth, expansion, profit and success – and the need to design strategies to attain these goals. Theories about cohesion, coherence and stability appeal to managers as they hold the promise of a manageable organization: the perfect setting for top-down coordination and control. It may not come as a surprise that once the firm trust in the stability and

continuity of their boundaries is undermined, images of organizations may suddenly change to their exact opposite. In the early 1990s, confidence in the global economy soared, enticing some authors to proclaim that organizational boundaries were not only rearranged and shifting, but dissolving and even disappearing altogether. As early as 1986 Gareth Morgan (1986: p. 129) – commenting on the decline of bureaucracy – announced the diminishing importance of organizational boundaries and their subsequent breakdown. In popular management literature, the image of the placeless and borderless organization received a boom, inspiring ‘hyper-globalists’ such as Kenichi Ohmae (1990: p. 94) to entice business leaders to share his vision of the footloose corporation: ‘Country of origin does not matter. Location of headquarters does not matter. The products for which you are responsible and the company you serve have become denationalized’ (cited in Dicken, 2003: p. 28). This view is supported by social scientists who adhere to the view that globalization generates processes of hybridization or ‘creolization’ (Hannerz, 1992) leading to a mix of cultural elements worldwide. Organizations operating in the global arena may accelerate this process as their increasing importance may entail a weakened personal involvement with the nation and national culture, a shift from the disposition to take it for granted; possibly a critical distance to it. In this view, these organizations seem to represent the potential for becoming a ‘dominant source of identity, a source of locally indifferent, global attachments’ (Ailon-Souday & Kunda, 2003: p. 1091).

Empirical research from an anthropological perspective has demonstrated that organizational practice is characterized by processes of differentiation and fragmentation and that organizational boundaries are ambiguous and constantly shifting (Alvesson, 2002; Koot, Sabelis & Ybema, 1996; Martin, 2002; Dahles & Stobbe, 2004). Accordingly, the static definition of an organization as a stable system with fixed boundaries has been dismissed in favour of an approach that acknowledges modern organizations in terms of open-ended networks with fluid structures and permeable boundaries (cf. Hosking, 1988; Mintzberg, 1989; Weick, 1979; Martin, 1992; Czarniawska-Joerges, 1992). The ‘networked’ organization does not comprise one arena where power struggles are performed and conflicting repertoires are enacted. Instead it forms an amalgam of partly overlapping arenas requiring considerable networking skills and sophisticated cultural competence of both the organizational actors and the analysts. Refuting simplistic models of integration as well as of complete dissolution of organizations, critical approaches to organizations showed that shifting boundaries are not necessarily an impediment to an organization’s performance. Instead, organizational change is not only appreciated but also accorded real value.

The approach advocating organizational boundaries to be viewed as permeable and shifting is inspired by a situational and contextual perspective on social relations, as represented by Frederik Barth’s classic study on *Ethnic Groups and Boundaries: The Social Organization of Culture Difference* (1969). Barth argues that boundaries – whether physical or symbolic in nature – are ‘created, constructed, and maintained through social interaction in socially meaningful contexts’ (Paulsen & Hernes, 2003: p. 303). As social constructs, boundaries may be drawn both ‘to ensure that activities or behaviour become stable or predictable’ and to ‘empower individuals, groups, and

organizations to act' (ibid.). In the process, the boundaries themselves are prone to change. Therefore, boundaries appear as ambiguous, as safeguards of stability and continuity as well as agents of change, as upholders of identity through mechanisms of inclusion and exclusion, as well as mediators of deviance and transformation. In addition, following Giddens' structuration theory (1984), boundaries do not simply impose order and control on organizations as constraining structures, they also constitute enabling mechanisms that permit the organization – through certain measures of constraint – to develop its distinctive strengths (Hernes, 2003: pp. 35–36). These strengths may be invested in the ability to bind resources over time and space, to build a high level of trust, and to develop a strong corporate culture to lend a sense of identity to members of the organization providing a basis for loyalty and commitment (Hernes, 2003: pp. 38–39).

Managing in organizations then involves 'establishing, maintaining, and changing boundaries between groups, activities, responsibilities, and resources' (Hernes, 2003: p. 51). Managers, becoming aware of the volatility of the organizational arena in which they operate, have to resume to careful boundary management. As has been acknowledged in management literature, there is a trend towards fluidity and complexity of organizational boundaries – both physical and symbolic – due to diminishing time–space stability. This, however, does not imply that boundaries are disappearing. The 'boundaryless' organization is more fiction than reality. On the contrary, the increasing permeability of boundaries surrounding and delimiting organizations from their environment may generate processes of redefining and strengthening of symbolic boundaries distinguishing the organization from others to reassert its position in times of change.

### **Boundaries Within**

Following Paulsen & Hernes (2003), we contend that boundaries are intrinsic to modern organizations, representing neither static entities nor remnants of the past. Instead, we conceptualize boundaries as negotiated and constantly changing social constructs. Having established this definition, the question arises where we will be going from here. We certainly endorse the idea that coping with boundaries is a universal management challenge, posing 'one of the most persistent and potentially rewarding challenges to researchers and managers alike' (Paulsen & Hernes, 2003: p. 305). However, whilst Paulsen & Hernes discuss organizational boundaries in different contexts and at diverse analytical levels, the task at hand here is to zoom in on boundaries within organizations with specific characteristics and in particular contexts. In this volume, the focus is on boundary shifts within organizations under the volatile conditions of restructuring in the globalizing economy. The process of economic restructuring demands organizations to expand to markets outside their national basis. These organizations not only offer their products and services worldwide, but also organize their production, distribution and marketing globally. Through joint ventures, partnerships and cross-border alliances, multinational organizations broaden their geographical basis from one national economy to others, and transform into multinational organizations.

Recent literature argues that multinational organizations represent transnational social spaces which can be viewed as social realities and entities that grow up



either from the grassroots by international migration or through a complex top-down and bottom-up process brought about by international business companies (Pries, 2001: p. 3).

These transnational social spaces are 'plurilocal configurations of people, organizations, social practices and symbol systems' (Pries, 2001: p. 20). Emerging transnational social spaces do not exist without a geographic-spatial embedding and, therefore, are not de-territorialized. The development of international business networks generates transnational spaces either through the operations, investments, outsourcing of production and services, etc. of the enterprises involved, or through labour migration created by these operations. This specific condition of transnational spaces affects the management strategies, coalitions and joint ventures, and the competitive position of organizations establishing themselves in these spaces. The economic arrangements that emerge in transnational spaces are comprised of elaborate network relations, public-private partnerships, forms of subcontracting and outsourcing; and these relations of economic cooperation bind together large-scale and small-scale enterprises, multinational corporations and small- and medium-scale enterprises.

Expanding across borders implies not only the relocation of production processes, labour and management, but also the creation of new organizational forms and structural changes. Such changes bring about a rearrangement of work units, the formation of new teams and shifts in hierarchies and power balances and, therefore, inevitably a redefinition and renegotiation of organizational boundaries. In situations of organizational change involving cooperation across national borders, delicate relationships emerge between organizations and people with different cultural backgrounds. Much depends on the ways in which members of the affected organizations respond to this change. There are numerous examples of cross-border alliances failing because of the intergroup dynamics during change, when resources and people are moved across the border and members of the organization are demanded to adopt new cultural identities and values. With managers and employees moving, management models and practices of a distinct national format are supplanted to and subsequently transformed in organizations operating in different cultural contexts. Corporate identities and business cultures become exposed to local organizational cultures and management practices. Conversely, local ways of running an organization have to adjust to 'foreign' approaches. Multicultural relations within such organizations and between organizations are immanent in the global economy. Multiculturalism is taken in a broad sense, that is, in terms of cultural pluralization which, in late-capitalist society, is usually connected to processes of individualization, ethnicization and localization as an answer to the encroachment on established cultural and social boundaries. Expressions of these processes may be found in the discursive construction and strategic use of class, culture, ethnicity, religion and gender in organizations, in the attribution of meaning by managers to themselves and to management, as well as in management of diversity.

Organizational change always challenges group identities and sets new targets for identification. Mergers, acquisitions, strategic alliances, etc. generate new organizational forms and necessitate the redefinition and renegotiation of organizational boundaries. This process of redefining organizational boundaries

occurs at different levels of the organization. At the contextual level, the redefinition of boundaries manifests itself in complex relationships between multinational organizations and their socio-economic and political environment. At the institutional and professional level, the redefinition of boundaries manifests itself through the rearrangement of work units and the formation of new teams, comprising staff from different professional backgrounds, levels of training and experience, and organizational (sub-)cultures. At the social and cultural level, the redefinition of boundaries manifests itself in terms of increasing diversity within organizations with teams including individuals who represent different age, gender, ethnic, religious and cultural groups. Members of organizations from different cultures bring with them internal boundaries into the multinational or multicultural organizational arena. As Paulsen argues:

In interorganizational strategic alliances, joint ventures or partnerships, intergroup issues arise at the organizational level in the negotiation of inter-organizational relationships. At all levels of organization, whether in project groups and teams, or in intra-organizational and inter-organizational relationships, a strategic issue for managers is the management of group interests. An appreciation of the dynamics of inter-group relations and the management of boundaries between groups becomes crucial as organizations establish new forms of organizing for competitive advantage (2003: p. 17).

The internal boundaries are as significant for the relations within the multinational organization as the boundaries between (national) cultures which are more commonly analyzed in literature. In this volume we will be looking at the permeability or rigidity of culturally defined boundaries, to understand the opportunities and restrictions in cross-cultural working relations as stemming at least in part from cultural differences within multicultural organizations on this dimension.

### **Theoretical Paradigms**

In the field of cross-cultural research in organizations, the dominant approach to multiculturalism focuses on national cultural differences which are classified as a contingency factor measuring objective distances between national groups and defining these distances as a constraint to cooperation. The presumption is that there is a one-to-one correspondence between the properties of national society and the characteristics of management and employees originating in this national society. This approach is based on Hofstede's survey at IBM which quantifies cultural differences between representatives of 50 nation states in terms of five bipolar dimensions (power distance, individualism, masculinity, uncertainty avoidance and long-term orientation) (Hofstede, 1991; 1995). Hofstede's large and diverse research population facilitates a comparison of cultural orientations between several countries simultaneously, and a reflection on the position of a national culture *vis-à-vis* other national cultures (Hofstede et al., 1990; Hofstede & Soeters, 2000). Even though this survey has contributed immensely to studying



intercultural cooperation, it has also generated substantial criticism (cf. McSweeney, 2002). It has been argued that Hofstede (inspired by Schein [1985]) views a culture as a fixed system of shared values and standards based on the assumption that cultural differences within organizations are determined by national cultural differences, and that the problems emanating from this can be overcome by the 'dos and the don'ts' regulating social intercourse in a national society (Koot, 1996; Martin, 2002; Ailon-Souday & Kunda, 2003: p. 1074).

Instead, based on the anthropological tradition which conceptualizes culture as a social construct, national culture delineating cultural differences in organizations constitutes a symbolic resource that is mobilized by their members – both managers and workforce – for social goals. As Flecker & Simsa (2001: pp. 178–179) have shown, cultural differences can complicate processes of transnational coordination, harmonization, and negotiation. Among these differences range diverse communicative strategies and styles, differences in local perspectives on the significance of an issue, and different institutional and political environments. New network organizations, in order to operate successfully, establish management and cooperation processes that span the distances between multiple locations, time zones, and corporations. Instead of focusing on the complications that cultural differences in organizations may bring about, Ailon-Souday & Kunda (2003: p. 1089) argue that national culture is a 'collective character type' or 'personal template' that is 'recruited in day-to-day interactions as a means of expressing detachment from the merger partners'. Such national culture acts as a 'boundary-spanning symbol' in the sense that:

While strongly embracing their national identity, repeatedly talking of and exhibiting their belonging to it, this embracement did not seem to shade the organizational attachment of the members. On the contrary, in their eyes, it was their national identity that had made them better organizational members, that had strengthened their commitment and dedication to the globalized organization, its goals and interests. For members, then, national and global identities did not constitute a zero-sum game. They perceived themselves to be more 'of' the globalized organization because of, not despite, their local belonging, their distinct nationality (2003: p. 1091).

As organizations are driven by cultural styles of managing, the question remains as to what happens when different styles meet in cross-cultural organizational cooperation. This is a challenging field for research on processes of integration, fragmentation, hybridization, the emergence of multiple identities in organizations, and the dynamics of local management strategies. Some scholars expect the emergence of mixed cultural styles, or the hybridization of organizational culture, others show that either Western or local styles are advocated instead of some hybrid mix of both. Western managers have shown a 'historical heavy-handedness' (Hunter and Yates, 2002: p. 341) in their transnational ventures, relying almost exclusively on Western rational principles of running a company as conveyed through the MBA programmes of business schools. The persistent adherence to structural integration of Western corporations

abroad, the dominance of Western nationals in their board rooms, their concern with contracts and charters, corporate identity and best practices, the separation of public and private, family and business interests, etc. underline the hegemonic orientation and the ethnocentric management strategies of Western corporations (Fung, 1994; van Marrewijk, 1999). Over the past few decades Western corporations have come to revise their vertically integrated approach to multinational cooperation and organize themselves as multimodal multinationals (Hunter & Yates, 2002) in an attempt to adapt to local conditions and business culture in terms of marketing strategy and/or management style, either by decentralizing decision making to local managers or by indigenizing high-ranking personnel (Hsiao, 2002). If this localizing strategy allows for the embedding of the subsidiary in a local network, then the concept of multi-local multinationals may reach beyond the mere rhetoric of multiculturalism and may represent a strategic innovation in cross-border management.

### About this Volume

The contributions to this volume address organizational change and processes of renegotiating boundaries in organizations in or from different countries in the Asia-Pacific, in particular mainland China, Hong Kong, Singapore, Malaysia, Thailand, and a Japanese subsidiary in the Netherlands. They cover a large variety of cooperative efforts between – mostly – Asian and Western organizations (joint ventures and partnerships) or an organization from either an Asian (a Japanese subsidiary in Europe) or Western background (an English language international kindergarten in Hong Kong) hosting staff from either the West or Asia. There are also analyses of cooperative efforts between organizational members of different Asian ethnic backgrounds (in both a small and medium-scale enterprise and in a local multinational company). All of these cases result in forms of multiculturalism on the shop floor.

On the unprecedented economic success of Japan and the Asian 'Tiger economies' in the 1980s and 1990s, East and Southeast Asia exerted an enormous attraction on organizations from the West while, at the same time, companies from these economies, and in particular from Japan, were welcomed as investors in Western countries. East and Southeast Asian countries, often on the initiative of entrepreneurial governments, created conditions conducive to foreign investments. In contrast to the Anglo-American model of states which plays a facilitating role only in the economy, most Asian states are directly involved in economic decisions taken by private entrepreneurs in their country. In Asia, states do not shy away from far-going interventions like forced savings, tax policies to attract (foreign) investments, restricting capital outflow, and repressing interest rates. The level of state intervention shaping financial market activity in Japan, providing logistics infrastructure in Hong Kong and Singapore, and targeting service-rich sophisticated manufacturing in a number of other places (such as Malaysia) strongly influences the pattern of service sector location and growth in Asia (O'Connor & Hutton, 1998). The role of the developmental state is especially strong in a number of Asian economies (such as Japan, Korea, Singapore, and Malaysia), while it is much less so in others

(such as Hong Kong, Taiwan, Thailand, and the Philippines). In Japan, state intervention has benefited a selected group of large conglomerates. The success of the other Asian economies came about under less intensive state intervention, but nevertheless under state intervention. In Singapore the omnipresent state acts as a rather successful entrepreneur and an owner of the largest local firms. Moreover, the state facilitates economic activities by fiscal measures, providing infrastructural facilities and labour market policies. In Hong Kong, before 1997, the state largely refrained from intervening in the allocation and management of resources, and public ownership of productive enterprises was almost negligible. However, state–market relations have been under rapid change ever since. The export-oriented industrial structure of Hong Kong originated in small-scale family-based firms. The weak point in these small-scale Chinese business networks is their inability to undertake major strategic transformations, requiring for instance research and development investment, knowledge of world markets, large-scale technological modernization, or off-shoring of production. In Hong Kong and mainland China the state has provided this critical strategic backing for Chinese networks to prosper beyond their profitable, but limited, local horizon (Castells, 1996: p. 189). While Thailand illustrates the movement towards greater independence for business, Malaysia seems to have taken the opposite direction (McVey, 1992: p. 25). Through its New Economic Policy, the Malaysian government imposed increasing political controls on property and pushed its Chinese capitalists into dependency from the Malay population.

Turning to the contributions to this volume, Chan Kwok Bun raises the question of how multiple forms of cooperation between mainland Chinese firms and Western companies affect organizational culture and management practices in China. Chan concludes that increasing Chinese–Western economic cooperation generates hybrid arrangements at management level. A shift towards professionalization and the adaptation to ‘modern’ (read: Western) management practices is also found in small and medium-scale Singaporean Chinese businesses, once the stronghold of familism and paternalism. As Helen Kopnina argues, recruitment practices in these companies may show a preference for professional managers over family members. This, however, does not necessarily imply that family ties and paternalist hierarchies do not figure in the power relations within the firms. Describing the coping strategies of a Japanese–European joint venture in Singapore, Heidi Dahles & Merel Bruckwilder discuss the case of a clear divide of spheres of competence and social interaction at company-level, fuelled by the selective interventions of Singapore’s post-developmental state. The joint venture is managed from a differentiation perspective, not only because of the often quoted cultural differences between Western and Japanese managers and staff, but most of all because of encompassing power relations which are orchestrated and exerted by the Singapore government.

The organizational structures of international companies show a tendency towards decentralization and the diminishing importance of bureaucratic elements of control. Coordination and control based on authority relations and exerted through the channels of corporate hierarchy become increasingly disadvantageous for transnational companies because of the growing complexity of cross-border organizations and the resulting uncertainties faced by head offices. Apart from being costly, bureaucratic elements such as centralization and formalization turn

out to be ineffective as they restrict the room available to local involvement, thereby smothering their commitment and their ability to adapt to local contingencies. Whereas it becomes more and more accepted in both managerial and scholarly debates that heterarchy should replace hierarchy and local autonomy should replace centralized decision-making, resulting in an 'integrated variety' model of management that combines the autonomy of local management under the integrative regime of a global organization (Bartlett & Ghoshal, 1998), management practices in transnational companies often maintain old established hierarchical relations. Beside the different ways of dealing with conflicts, different perceptions of radicalism and different modes of cooperation, there are also different ways of using language that can lead to misunderstandings. How cultural boundaries between local staff and Western management, and in particular language problems, cast in persistent unequal power relations, generate and enforce structures and practices of domination is described by Geeske Boode in her report on a Thai–Western joint venture in Thailand. Conversely, Hyunghae Byun & Sierk Ybema show that such structures and practices of domination are reproduced in Western contexts by Asian (in this case Japanese) companies that maintain a strict hierarchical and top-down approach to management based in an integration perspective. Mhinder Bhopal & Chris Rowley discuss how multi-ethnicity in Malaysian companies can be an asset as well as a liability to both management and staff. The disappearance of borders does not necessarily lead to more openness or cosmopolitan orientation, but gives rise to the emergence of socially constructed borders within and across spaces. The dilemmas emerging from the need to perform successfully as an individual in the global economy and to maintain one's roots in local Chinese culture are the focus of chapter 8 in which Rebecca Tijsterman describes the struggle of a multi-ethnic kindergarten in Hong Kong to cater to both the demands of Chinese parents to expose their children to cosmopolitanism and to educate them in local Chinese cultural values.

The concluding chapter by Loh Wei Leng critically reflects on the theoretical literature on boundaries and organizational change in the light of the empirical material and analyses as presented in the previous chapters.

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